

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

(A COMPONENT UNIT OF THE VILLAGE OF PARMA, MICHIGAN)

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2008

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**ANNUAL FINANCIAL REPORT  
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## **INDEPENDENT AUDITOR'S REPORT**

# MARKOWSKI & COMPANY

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SOUTH CENTRAL MICHIGAN

## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
The Local Development Finance Authority  
Of The Village of Parma

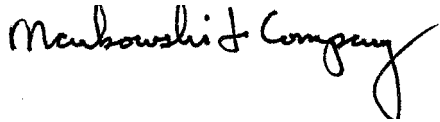
We have audited the accompanying financial statements of the governmental activities and the major fund of **The Local Development Finance Authority of the Village of Parma** (the "LDFA"), a component unit of the Village of Parma, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the LDFA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LDFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Local Development Finance Authority of the Village of Parma as of February 29, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Local Development Finance Authority  
Of The Village of Parma  
Independent Auditor's Report  
Page Two

The budgetary comparison information on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The LDFA has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of the financial statements.



**MARKOWSKI & COMPANY CPAs**  
August 4, 2008

## **BASIC FINANCIAL STATEMENTS**

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**FEBRUARY 29, 2008**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ASSETS
<b>Assets:</b>			
Cash	\$ 120,121	\$ -	\$ 120,121
Investments	337,073	-	337,073
Land	-	285,501	285,501
Total assets	<u>\$ 457,194</u>	<u>285,501</u>	<u>742,695</u>
 <b>Liabilities:</b>			
Accounts payable	\$ -	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund Balances/Net Assets:</b>			
<b>Fund balances:</b>			
Unreserved, undesignated	457,194	(457,194)	-
Total equity and other credits	<u>457,194</u>	<u>(457,194)</u>	<u>-</u>
 Total liabilities and Fund Balances	<u>\$ 457,194</u>		
 <b>Net Assets:</b>			
Invested in capital assets, net of related debt		285,501	285,501
Unreserved		457,194	457,194
		<u>\$ -</u>	<u>\$ 742,695</u>
 Reconciliation of governmental fund balance to net assets:			
Fund balances per the governmental fund balance sheet			\$ 457,194
Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.			<u>285,501</u>
Net assets of governmental activities			<u>\$ 742,695</u>

The notes to the financial statements are an integral part of this statement.

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
EXPENDITURES/EXPENSES:			
Economic Development	\$ 33,450	\$ -	\$ 33,450
Less: Operating Grant - Federal	-	-	-
Net economic development expenses	33,450	-	33,450
Other	112,575	-	112,575
Total expenditures/expenses	146,025	-	146,025
GENERAL REVENUES:			
Property taxes	588,357	-	588,357
Less: Return of excess capture	(441,465)	-	(441,465)
Net property taxes captured	146,892	-	146,892
Interest income	27,558	-	27,558
Other	-	-	-
Total general revenues	174,450	-	174,450
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,425	-	28,425
OTHER FINANCING SOURCES/GAIN ON SALE	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES/EXPENDITURES	28,425	-	28,425
FUND BALANCE/NET ASSETS - Beginning	428,769	285,501	714,270
FUND BALANCE/NET ASSETS - Ending	\$ 457,194	\$ 285,501	\$ 742,695

Reconciliation of governmental fund financial statements to Statement of Activities:

Excess of revenues/expenses	\$ 28,425
There were no differences between the fund and government-wide financial statements during the fiscal year ended February 29, 2008	
Change in Net Assets	<u>\$ 28,425</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA**

**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**

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**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**1. REPORTING ENTITY:**

The Local Development Finance Authority of the Village of Parma was created by the Village of Parma in a resolution dated December 12, 1988. Public Act 281 of 1986 provides the authority for the Village to establish an LDFA. The LDFA will expire in 2021.

The LDFA of the Village of Parma is governed by an eleven member board, which consists of four representatives appointed by the Village of Parma, three appointed by Sandstone Charter Township, two appointed by Western School District, and one each appointed by Jackson County and Jackson Community College.

The LDFA's primary functions are site acquisition, development, and improvement, (including the extension of roads and utilities) for the Parma Village - Sandstone Industrial Park. Currently, the only company located within the park is the Michigan Automotive Compressor, Inc. (MACI) plant.

The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the LDFA of the Village of Parma is considered a component unit of the Village of Parma and is included in the Village's financial statements.

**2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The LDFA uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements. This is accomplished by using a columnar format that reconciles individual line items in the fund financial statements to government-wide data. This information is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the LDFA. The LDFA operations consist solely of governmental-type activities; it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

The fund financial statements are provided for governmental funds and have been reported in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The LDFA uses a fund to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the LDFA considers revenues to be available if they are collected within 60 days of the fiscal year end.

Expenditures are generally recorded when a liability is incurred, the same as accrual accounting.

The LDFA reports its operating fund as a major fund.

4. BUDGETARY PROCEDURES:

The Board of Directors adopted a budget during a regularly scheduled open meeting. The budget was prepared using the modified accrual method of accounting, which is consistent with the measurement focus of the fund financial statements.

The budget for the fiscal year ended February 29, 2008 was originally adopted at its 2006 annual meeting, and amended at its 2007 annual meeting (held in December).

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

**5. CASH AND INVESTMENTS:**

The LDFA's cash and cash equivalents consist of demand deposit accounts, short-term investments with original maturities of less than 90 days, and accounts with liquidity similar to cash.

Investments are reported at their original cost.

**6. ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**1. BUDGET VIOLATIONS:**

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the LDFA's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. For the year ended February 29, 2008, the LDFA incurred expenditures which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contract payments	\$ 112,325	\$ 112,575	\$ (250)

Spending amounts in excess of budget (appropriations) is a violation of state law.

**NOTE C - CASH AND INVESTMENTS:**

State statutes and LDFA policy authorize the LDFA to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The LDFA's deposits are in accordance with statutory authority and LDFA policy.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE C – CASH AND INVESTMENTS: (Continued)

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The LDFA minimizes this risk by limiting its investments to shorter term securities with liquidity similar to a money market account.

**Concentration of Credit Risk**

The LDFA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the LDFA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the LDFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

Cash, cash equivalents, and investments of the LDFA can be defined as follows: Cash and investments consist of deposits (checking and savings accounts) and its investments in a money market account. The deposits are held at a local bank, in the name of the LDFA. The money market account is invested in the Fidelity Government Portfolio Class II money market fund. 94% of this fund is invested in repurchase agreements for U.S. government securities.

As of February 29, 2008, \$20,121 of the LDFA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

NOTE C – CASH AND INVESTMENTS: (Continued)

**Custodial Credit Risk** (Continued)

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the LDFA or its agent in the LDFA's name.
- (2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the LDFA's name.
- (3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

The LDFA's investments are classified as follows:

	Category 3	Carrying Amount	Market Value
FIMM Govt Portfolio Class II	\$ 337,073	\$ 337,073	\$ 337,073

The LDFA did not violate any of its investment policies or related state laws during the year ended February 29, 2008.

Cash and investments reported in the basic financial statements at February 29, 2008 can be summarized as follows:

Cash and Investments:	
Checking/savings accounts	\$ 120,121
Money Market account	337,073
	<u>\$ 457,194</u>

NOTE D - PROPERTY TAXES:

The LDFA derives its revenues from property taxes “captured” from the levies of local entities. The local entities receive all revenues from their debt millage, but receive operating millage only on the original taxable value of property within the LDFA district. The LDFA cannot capture education taxes (state education tax, local school operating taxes, and intermediate school district operating taxes). The LDFA collects (or captures) any taxes on the increase in value of property within the district.

The local tax collecting agency, Sandstone Charter Township, is required by the Michigan Tax Commission to hold certain excess tax levies captured on behalf of the LDFA in an escrow account. These taxes are not reported as revenue by the LDFA as it never receives them. The Township refunds these excess amounts directly to the taxing entities.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE D - PROPERTY TAXES: (Continued)**

Amendments to property tax laws now limit the amount of taxes captured by the LDFA to the amounts necessary to service its debt and certain other eligible obligations. Any amounts in excess of this limit are to be refunded proportionately to the units levying the millage.

Sandstone Charter Township assesses the involved properties and levies the millages for all local units involved. Tax payments are also collected by the Township, except for the Village of Parma, which collects its own millage and remits it to the LDFA. The taxes become a lien on the property as of December 31, and are levied on July 1 and December 1 of the following year. Payments are due by September 14 (for the July levy) and February 28 (for the December levy).

Under Michigan law (Public Act 198 of 1974), property owners may apply for special tax rates for up to 12 years for certain new properties. If approved, the property owner will pay an Industrial Facilities Tax (IFT) rate equal to 50% of the current rate. For IFT's granted after 1993, the taxes are levied at 50% of the current millage rate, except for taxes levied under the State Education Tax Act. Those taxes are levied at 100% of the current rate, unless a reduced amount is approved by the State.

The property within the LDFA includes ten parcels. Seven parcels are personal property with IFT certificates issued after 1993 – four (with a total taxable value of \$34,113,458) levy the full six mills of state education taxes, two (with a total taxable value of \$2,494,167) levy 50% of the state education tax, and one (with a taxable value of \$7,861,304) levies no state education tax.

For the fiscal year ended February 29, 2008 property taxes were levied and collected as follows:

	AD VALOREM	POST - 1993 IFT	TOTAL
Taxable value	\$ 24,199,178	\$ 44,468,929	\$ 68,668,107
Original value	(142,165)	-	(142,165)
Captured value	<u>\$ 24,057,013</u>	<u>\$ 44,468,929</u>	<u>\$ 68,525,942</u>
Total taxes levied	\$ 1,317,905	\$ 1,274,817	\$ 2,592,722
Taxes on original value	(7,648)	-	(7,648)
Debt, education and other			
levies not subject to capture	(1,002,671)	(994,046)	(1,996,717)
Gross levies captured	<u>\$ 307,586</u>	<u>\$ 280,771</u>	
Revenue reported by LDFA			588,357
Excess captured taxes refunded			
by the LDFA			<u>(441,465)</u>
Net taxes captured			<u>\$ 146,892</u>

**LOCAL DEVELOPMENT FINANCE AUTHORITY  
OF THE VILLAGE OF PARMA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE E - ECONOMIC DEPENDENCE:**

99.7% of the tax increment revenues of the LDFA are paid by one taxpayer - Michigan Automotive Compressor, Inc. (MACI). This company is a joint venture between two Japanese manufacturers. The company has always paid its taxes on or before the due date.

**NOTE F - COMMITMENTS AND CONTINGENCIES:**

**1. TAX INCREMENT REVENUE AGREEMENT PAYABLE:**

In October 2002, Jackson County sold \$1,800,000 of bonds to finance improvements to the municipal water supply system and fire protection system within the LDFA boundaries. The Village of Parma has entered into a lease agreement with the County, with payments due in amount equal to the debt service requirements of these County bonds. The Village in turn entered into contractual agreements with the LDFA. The terms of the contracts require the LDFA to defray the Village's obligation with tax increment revenues derived from the capture of Village, Township, County, District Library, and Community College taxes levied within the LDFA district.

The terms of the bonds, and in turn the tax increment revenue agreement payable, call for annual principal payments ranging from \$25,000 to \$150,000, at interest rates ranging from 2.75% to 5.50%. A summary of activity on this agreement is as follows:

	Principal Balance 2/28/07	Additions	Retirements	Principal Balance 2/29/08
Tax Increment Revenue Agreement payable	\$ 1,650,000	\$ -	\$ (50,000)	\$ 1,600,000

Amortization of the tax increment revenue agreement payable is as follows:

Fiscal Year	Principal Due	Interest Due	Total Due
2009	\$ 75,000	\$ 60,544	\$ 135,544
2010	75,000	58,387	133,387
2011	75,000	56,063	131,063
2012	100,000	53,213	153,213
2013	100,000	49,862	149,862
2014-2018	600,000	186,556	786,556
2019-2022	575,000	52,425	627,425
	<u>\$ 1,600,000</u>	<u>\$ 517,050</u>	<u>\$ 2,117,050</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**THE YEAR ENDED FEBRUARY 29, 2008**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
FUND BALANCE, FEBRUARY 28, 2007	\$ 516,756	\$ 428,769	\$ 428,769	\$ -
RESOURCES (Inflows):				
Property taxes	605,377	605,377	588,357	(17,020)
Less - Return of excess capture	(69,516)	(441,465)	(441,465)	-
Net taxes captured	535,861	163,912	146,892	(17,020)
Interest income	-	-	27,558	27,558
Intergovernmental - Federal grant	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Other revenue	-	-	-	-
Total resources (inflows)	535,861	163,912	174,450	10,538
Amount available for appropriation	1,052,617	592,681	603,219	10,538
CHARGES TO APPROPRIATIONS:				
Economic Development:				
Administration:				
Marketing	5,000	5,000	250	4,750
Management services	27,500	27,500	27,500	-
Audit services	2,500	2,500	2,250	250
Legal services	8,000	8,000	133	7,867
Treasurer's fee	1,000	1,000	813	187
Village support - Bookkeeping fee	2,000	2,000	1,800	200
Total administration	46,000	46,000	32,746	13,254
Maintenance:				
Wetlands mitigation	-	-	-	-
Roadway/utilities extension	25,000	25,000	704	24,296
Total maintenance	25,000	25,000	704	24,296
Total economic development	71,000	71,000	33,450	37,550
Other:				
Sale expenses	-	-	-	-
Contract payments (See Note F1)	112,325	112,325	112,575	(250)
Total other	112,325	112,325	112,575	(250)
Capital outlay	-	-	-	-
Total charges to appropriations	183,325	183,325	146,025	37,300
BUDGETARY FUND BALANCE - February 29, 2008	\$ 869,292	\$ 409,356	\$ 457,194	\$ 47,838

The notes to the financial statements are an integral part of this statement.

**ADDITIONAL SUPPLEMENTAL INFORMATION**

RECAP OF 2007 TAX LEVY BY TAXING ENTITY

\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**RECAP OF 2007 TAX LEVY BY TAXING ENTITY**

UNIT	Millage Rate (Tax per \$1,000 of Taxable Value)	Ad Valorem- Real/Personal Property	Industrial Facilities Tax (Post-1993)	Total
Taxable value		<u>\$ 24,499,178</u>	<u>\$ 44,468,929</u>	<u>\$ 68,968,107</u>
Jackson Community College	1.14460	\$ 28,042	\$ 25,449	\$ 53,491
Intermediate School ( <b>Education</b> )	8.09630	198,353	180,014	378,367
Western Schools ( <b>Education</b> )	18.00000	440,985	400,221	841,206
Western Schools ( <b>Debt</b> )	7.00000	171,494	155,641	327,135
State Education Tax ( <b>Education</b> ) *	6.00000	146,995	212,163	359,158
Village of Parma **	4.32560	105,974	96,177	202,151
Village of Parma Hydrant ( <b>Debt</b> )	0.38000	9,310	8,449	17,759
Jackson County	5.11870	125,404	113,809	239,213
Medical Care Facility	0.13980	3,425	3,108	6,533
Jackson District Library	0.85930	21,052	19,104	40,156
Senior Services	0.24730	6,059	5,496	11,555
Jackson County Jail ( <b>Debt</b> )	0.48510	11,885	10,783	22,668
Parma-Sandstone Fire ***	1.20420	29,502	26,775	56,277
Sandstone Township **	0.79290	19,425	17,628	37,053
Total millage rate (ad valorem)	<u><b>53.79380</b></u>			
Total levy		<b>1,317,905</b>	<b>1,274,817</b>	<b>2,592,722</b>
Paid to Taxing Entity:				
Debt retirement levies (Excl. tax on initial value)		(191,570)	(174,873)	(366,443)
Education tax levies (Excl. tax on initial value)		(781,770)	(792,398)	(1,574,168)
Parma-Sandstone Fire levy (Excl. tax on initial value)		(29,331)	(26,775)	(56,106)
\$142,165 Initial value (All levies)		(7,648)	-	(7,648)
Gross captured by LDFA		<u><b>\$ 307,586</b></u>	<u><b>\$ 280,771</b></u>	<u><b>\$ 588,357</b></u>

\* Two IFT certificates for properties with a taxable value of \$2,494,167 levy only 50% of the 6 mill State Education Tax; another certificate for property with a taxable value of \$7,861,304 levies no State Education Tax.

\*\* Under a separate revenue sharing agreement, the Village and Sandstone Township do not share in the tax revenue proportionally.

\*\*\* The LDFA elected not to capture the Parma-Sandstone Fire voter approved special millage.

<u>Paid to Entity (Original, Education, and Debt)</u>	<u>Tax Captured</u>	<u>Excess Captured Returned by LDFA</u>	<u>Net Taxes Captured</u>
\$ (163)	\$ 53,328	\$ (34,928)	\$ 18,400
(378,367)	-	-	-
(841,206)	-	-	-
(327,135)	-	-	-
(359,158)	-	-	-
(615)	201,536	(79,843)	121,693 **
(17,759)	-	-	-
(727)	238,486	(208,660)	29,826
(20)	6,513	(4,284)	2,229
(122)	40,034	(26,327)	13,707
(35)	11,520	(7,580)	3,940
(22,668)	-	-	-
(56,277)	-	-	-
(113)	36,940	(79,843)	(42,903) **
<u><u>\$ (2,004,365)</u></u>	<u><u>\$ 588,357</u></u>	<u><u>\$ (441,465)</u></u>	<u><u>\$ 146,892</u></u>

**LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA**  
**\$1,800,000 TAX INCREMENT REVENUE AGREEMENT PAYABLE**

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR TOTAL	ANNUAL INTEREST
		PRINCIPAL	INTEREST	TOTAL		
03/01/03			\$ 35,662.50	\$ 35,662.50		
09/01/03	5.50%	\$ 25,000.00	35,662.50	60,662.50	\$ 96,325.00	\$ 1,375.00
03/01/04			34,975.00	34,975.00	95,637.50	
09/01/04	5.50%	25,000.00	34,975.00	59,975.00		1,375.00
03/01/05			34,287.50	34,287.50	94,262.50	
09/01/05	5.50%	50,000.00	34,287.50	84,287.50		2,750.00
03/01/06			32,912.50	32,912.50	117,200.00	
09/01/06	5.50%	50,000.00	32,912.50	82,912.50		2,750.00
03/01/07			31,537.50	31,537.50	114,450.00	
<b>09/01/07</b>	<b>3.00%</b>	<b>50,000.00</b>	<b>31,537.50</b>	<b>81,537.50</b>		<b>1,500.00</b>
<b>03/01/08</b>			<b>30,787.50</b>	<b>30,787.50</b>	<b>112,325.00</b>	
09/01/08	2.75%	75,000.00	30,787.50	105,787.50		2,062.50
03/01/09			29,756.25	29,756.25	135,543.75	
09/01/09	3.00%	75,000.00	29,756.25	104,756.25		2,250.00
03/01/10			28,631.25	28,631.25	133,387.50	
09/01/10	3.20%	75,000.00	28,631.25	103,631.25		2,400.00
03/01/11			27,431.25	27,431.25	131,062.50	
09/01/11	3.30%	100,000.00	27,431.25	127,431.25		3,300.00
03/01/12			25,781.25	25,781.25	153,212.50	
09/01/12	3.40%	100,000.00	25,781.25	125,781.25		3,400.00
03/01/13			24,081.25	24,081.25	149,862.50	
09/01/13	3.55%	100,000.00	24,081.25	124,081.25		3,550.00
03/01/14			22,306.25	22,306.25	146,387.50	
09/01/14	3.70%	125,000.00	22,306.25	147,306.25		4,625.00
03/01/15			19,993.75	19,993.75	167,300.00	
09/01/15	3.85%	125,000.00	19,993.75	144,993.75		4,812.50
03/01/16			17,587.50	17,587.50	162,581.25	
09/01/16	4.00%	125,000.00	17,587.50	142,587.50		5,000.00
03/01/17			15,087.50	15,087.50	157,675.00	
09/01/17	4.10%	125,000.00	15,087.50	140,087.50		5,125.00
03/01/18			12,525.00	12,525.00	152,612.50	
09/01/18	4.20%	125,000.00	12,525.00	137,525.00		5,250.00
03/01/19			9,900.00	9,900.00	147,425.00	
09/01/19	4.30%	150,000.00	9,900.00	159,900.00		6,450.00
03/01/20			6,675.00	6,675.00	166,575.00	
09/01/20	4.40%	150,000.00	6,675.00	156,675.00		6,600.00
03/01/21			3,375.00	3,375.00	160,050.00	
09/01/21	4.50%	150,000.00	3,375.00	153,375.00	153,375.00	6,750.00
Total:		<u>\$ 1,800,000.00</u>	<u>\$ 886,587.50</u>	<u>\$ 2,686,587.50</u>	<u>\$ 2,747,250.00</u>	<u>\$ 71,325.00</u>
Outstanding at 2/29/08:		<b>\$ 1,600,000.00</b>	<b>\$ 517,050.00</b>	<b>\$ 2,117,050.00</b>		

Note: An annual paying agent fee of \$250.00 is charged for processing the contract payments. This is expensed to Contract Payments in the accompanying financial statements.

**MARKOWSKI & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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RANDALL D. BIDDIX, C.P.A.  
**RETIRED PARTNER:**  
K. LAVERNE MARKOWSKI, C.P.A (1961-2006)

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF  
SOUTH CENTRAL MICHIGAN

Board of Directors  
The Local Development Finance Authority of  
The Village of Parma  
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and major fund of the **Local Development Finance Authority of the Village of Parma, Inc** (the "LDFA") as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the LDFA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or a report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**2008-01 - Reliance on External Auditors for Certain Control Functions:**

It is considered a significant deficiency in internal control when a governmental entity relies upon its external auditors as part of its internal control system. In the LDFA's case, it relies on the external auditors to prepare year end financial statements required by the State of Michigan.

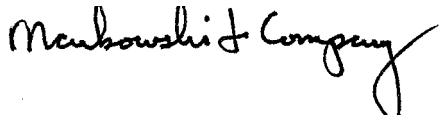
This is considered a significant deficiency because the LDFA does not have staff or an independent advisor qualified to ensure the external auditor's work complies with all required standards. To address this, the LDFA could either improve the clerk or treasurer's knowledge base through continuing education, or hire a CPA independent of its audit firm to review the annual report. The LDFA believes that from a cost-benefit basis, neither of these solutions makes sense. We concur with this decision.

**2008 -02 - Segregation of Duties:**

The LDFA relies on its Treasurer and Clerk for its accounting functions. Because of this limited staff size, there are instances in which conflicting duties are performed by one individual. The LDFA board needs to be aware of this situation, and maintain oversight of its financial records.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness: 2008-01.

This communication is intended solely for the information and use of management, the LDFA Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



**MARKOWSKI & COMPANY CPAs**

August 4, 2008